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INSURANCE ASSOCIATION OF CONNECTICUT

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Statement

Insurance Association of Connecticut

Insurance and Real Estate Committee

January 29, 2015

SB 69, An Act Concerning Personal Risk Insurance Rate Filings

I am Eric George, President of the Insurance Association of Connecticut (IAC). IAC supports SB 69, which would extend the sunset date for "flex rating" for personal lines insurance, but we do suggest one additional amendment.

In 2006 the General Assembly approved legislation that established "flex rating" for personal lines insurance in Connecticut. Currently, as long as an insurer's filed overall statewide rate increase or decrease does not exceed six percent in the aggregate in a year, and not more than fifteen per cent increase in any individual territory, the insurer does not need prior approval from the Insurance Commissioner to use the rate.

Legislation in 2009, 2011 and 2013 extended the then-existing sunset date for "flex-rating" provisions by two years. Likewise, SB 69 would extend the sunset date for two years to July 1, 2017.

Competitive rating (filing and using rates without prior approval) allows insurers to adjust the price for their products quickly, up or down, as changing conditions and experiences warrant. This allows insurers to compete vigorously and to price their products aggressively.

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Flex-rating (C.G.S. 38a-688a) enables insurers to react effectively and quickly to changing market conditions and experiences, further increasing competition in the marketplace, while continuing the prior approval process for any proposed rate changes which exceeds the rating bands. Experience in other states, and in Connecticut since 2006, has shown that the typical filing under a flex-rating system is well within the rating band limit.

The competitive marketplace is working in Connecticut to the benefit of consumers, as more insurers are competing for business based on price, product and service. For example, since 2006 overall rate changes in Connecticut for auto insurance have been minimal. According to press reports, the number of auto insurance companies doing business in this state has grown substantially. The assigned risk pool has continued to shrink to all-time lows (there are currently less than two hundred insureds in the pool, versus a high of about 200,000 drivers in 1988).

By continuing "flex-rating", SB 69 will further encourage that competition, which would be a positive development for insurance consumers and the personal lines marketplace in Connecticut.

However, given the clear success of "flex-rating", and the consistent support of the General Assembly in extending the provisions of CGS 38a-688a(a) in prior years, IAC respectfully requests that SB 69 be amended to remove the 2-year sunset provision and make flex-rating permanent.

Thank you for the opportunity to present the IAC's viewpoint.